

REMARKS

In the Office action¹ dated October 12, 2006, the Examiner maintained the rejection of claims 1-66 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 6,456,984 B1 to Demoff et al. ("*Demoff*") in view of Official Notice.

While the form PTO 326 indicates that the Office action is Non-final, the Office action indicates that it is made final (Office action at p. 8). For the purposes of this reply, Applicants assume that the Office action is made final. Based on the following remarks, Applicants respectfully traverse the rejections under 35 U.S.C. § 103(a).

I. Rejection of claims 1-66 under 35 U.S.C. § 103(a)

The Examiner alleges that claims 1-66 are unpatentable under 35 U.S.C. § 103(a) over *Demoff* in view of the Examiner's Official Notice. The rejection is legally deficient because the Examiner has not established a *prima facie* case of obviousness.

To establish a *prima facie* case of obviousness, three basic criteria must be met. First, the prior art reference (or references when combined) must teach or suggest all the claim elements. Furthermore, "[a]ll words in a claim must be considered in judging the patentability of that claim against the prior art." See M.P.E.P. § 2143.01 (8th Ed., Aug. 2001), quoting *In re Wilson*, 424 F.2d 1382, 1385, 165 U.S.P.Q. 494, 496 (C.C.P.A. 1970). Second, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify a reference or to combine reference teachings. Finally, there must be

¹ The Office Action contains a number of statements reflecting characterizations of the related art and the claims. Regardless of whether any such statement is identified herein, Applicants decline to automatically subscribe to any statement or characterization in the Office Action.

a reasonable expectation of success. See M.P.E.P. § 2143 (8th Ed. 2001), pp. 2100-122 to 127.

For example, the Examiner asserts *Demoff* discloses “a method managing financial transactions (with transactions that exceed credit limits)” including “comparing” and “approving the transaction based on comparison” (Final Office action at p. 2). The Examiner relies on the Abstract and Figure 8, item 302 of *Demoff*. The Examiner also relies on Figure 1, items 24 and 26 of *Demoff* to assert that “it is inherent that the merchant went through a risk assessment review” (Final Office action at p. 7). Applicants respectfully disagree.

According to the portion cited by the Examiner, *Demoff* actually discloses “method and system” for “issuing credit as payment in a consumer transaction which eliminates the need for a traditional credit card while also minimizing any potential for fraud of theft.” *Demoff* further discloses responding “to a request for issuing a credit transaction number that is made concurrent with a particular transaction” (Abstract).

While the Examiner alleges that *Demoff* discloses “comparing” without any further clarification, (Final Office action at p. 2), *Demoff*, however, does not teach or suggest “comparing the merchant credit risk to a threshold value defining an acceptable credit risk and approving the transaction based on the comparison of the merchant credit risk with the threshold value,” as recited in claim 1. Figure 1, items 24 and 26 of *Demoff* merely discloses a “registered vendor” (24) and an “unregistered vendor” (26). Therefore, the cited portion of *Demoff* or any other portion fails to teach or suggest “determining a merchant credit risk associated with the determined merchant type,” as recited in claim 1. Because *Demoff* fails to teach or suggest the recitations alleged by

the Examiner, the rejection of claim 1 is legally deficient. Therefore, for at least this reason the rejection should be withdrawn and the claim allowed.

Additionally, the Examiner admits that *Demoff* does not teach or suggest "determining merchant type" (Final Office Action at p. 2). To compensate for this shortcoming, the Examiner takes Official Notice that such processes are "well known in the art" in the form of "credit fraud shut-off business practices" and it would have been obvious to one of ordinary skill in the art to make the alleged combination. (*Id.*) In particular, the Examiner asserts that "'it is well known in the art at the time if the invention' that credit card companies monitor, type & credit rate merchants." The Examiner further states, "[a]sk anyone and one of common knowledge in the art, they have probably either personally experienced or friend's credit card being blocked because of 'high risk' transactions they had been making" (Final Office action at pp. 7-8).

Applicants traverse the Examiner's taking of Official Notice that the above-noted recitations of claim 1 are well known. An Official Notice rejection is improper unless the facts asserted are well-known or common knowledge in the art, and capable of instant and unquestionable demonstration as being well-known. See M.P.E.P. § 2144.03, the procedures set forth in the Memorandum by Stephen G. Kunin, Deputy Commissioner for Patent Examination Policy dated February 21, 2002, and the precedents provided in *Dickinson v. Zurko*, 527 U.S. 150, 50 U.S.P.Q.2d 1930 (1999) and *In re Ahlert*, 424 F.2d 1088, 1091, 165 U.S.P.Q. 418, 420 (CCPA 1970). Further, any facts asserted as well-known should serve only to "fill in the gaps" in an insubstantial manner. It is never appropriate to rely solely on "common knowledge."

Moreover, Applicants traverse the Examiner's taking of "Official Notice," noting the impropriety of this action, as the Federal Circuit has "criticized the USPTO's reliance on 'basic knowledge' or 'common sense' to support an obviousness rejection, where there was no evidentiary support in the record for such a finding." *Id.* Applicants submit that "[d]eficiencies of the cited references cannot be remedied by general conclusions about what is 'basic knowledge' or 'common sense.'" In re Lee, 61 USPQ2d 1430, 1432-1433 (Fed. Cir. 2002), quoting In re Zurko, 59 USPQ2d 1693, 1697 (Fed. Cir. 2001).

Applicants refer the Examiner to MPEP § 2144.03. In relevant part, MPEP § 2144.03 states, "If the examiner is relying on personal knowledge to support the finding of what is known in the art, the examiner must provide an affidavit or declaration setting forth specific factual statements and explanation to support the finding."

To support the Examiner's blanket assertions that "determining a merchant type" is well known in the art, the Examiner submitted an affidavit including statements by Examiners Apple and Daas. According to the Examiner's affidavit, a "credit card was blocked ... because they 'typed' the merchants as foreign and high risk." The affidavit also states that upon purchasing "a new labtop (sic), printer and a few other high priced electronics... the credit card company once again blocked" the credit card "because of the high dollar spending at the high risk 'typed' electronic stores."

Applicants first traverse the Examiner's affidavit because the statements made therein are not subject to any consequence. Instead, the affidavit is simply a statement made by the Examiners that is extrinsic to the Final Office action. Furthermore, even if

the statements included in the affidavit were correct, which is not conceded by Applicants, these also fail to support the Examiner's position.

The Examiner asserts that the instances described in the affidavit "depict 'merchants being typed,'" as recited in claim 1. Examiners Apple and Daas, each describes situations in which a credit card was "blocked." However, the affidavit fails to comply with the requirement that the Examiners had personal knowledge as to the "merchants being typed," as required under 37 C.F.R. 1.104(d)(2)². Applicants respectfully submit that having a credit card "blocked" due to use overseas or due to purchasing "high price electronics" does not establish personal knowledge as to "determining a merchant type." These assertions are not supported by the Examiner's affidavit, as required under 37 C.F.R. 1.104(d)(2). Therefore, there is no evidentiary support for the Examiner's taking of Official notice regarding claim 1.

Because the Examiner's defective affidavit does not cure the legal deficiencies presented by the Examiner's improper taking of Official notice, the Examiner has not established a *prima facie* case of obviousness. The rejection of claim 1 should be withdrawn and the claim allowed.

Independent claims 21, 41, 61, 63, and 65, although of different scope, recite features similar to those of claim 1. As explained, the cited art does not support the rejection of claim 1. Accordingly, the cited art does not support the rejection of claims 21, 41, 61, 63, and 65 for at least the same reasons set forth above in connection with claim 1.

² When a rejection in an application is based on facts within the personal knowledge of an employee of the Office, the data shall be as specific as possible, and the reference must be supported, when called for by the applicant, by the affidavit of such employee, and such affidavit shall be subject to contradiction or explanation by the affidavits of the applicant and other persons.

Claims 2-20, 22-40, 42-60, 62, 64, and 66 depend from independent claims 1, 21, 41, 61, 63, and 65, respectively. As explained, the cited art fails to teach or suggest the recitations of claims 1, 21, 41, 61, 63, and 65. As such, the cited art fails to support the rejection of claims 2-20, 22-40, 42-60, 62-64, and 66 for at least the same reasons set forth above for their respective independent claims. In addition, each of the dependent claims recites unique combinations that are neither taught nor suggested by prior art. Therefore, Applicants respectfully request that the Examiner withdraw the rejection of claims 1-66 under 35 U.S.C. § 103(a) and allow the claims.

II. The finality of the Office action is legally deficient

Applicants respectfully submit that the feature of “comparing the merchant credit risk to a threshold value defining an acceptable credit risk,” as recited in claim 1, was not properly addressed by the Examiner in the Non-final Office action dated April 20, 2006. The Examiner, in addressing Applicants’ response to the Non-final Office action now asserts, in the Final Office action dated October 12, 2006, that in *Demoff*, “it is inherent that the merchant went through a risk assessment review.” (Final Office action at p. 7). In relevant part, M.P.E.P. § 2144.03 states, “[i]f no amendments are made to the claims, the examiner must not rely on any other teachings in the reference if the rejection is made final.”

Because the Examiner did not address the feature of “comparing the merchant credit risk to a threshold value defining an acceptable credit risk” in the previous Office action (see Applicants’ reply dated July 20, 2006, at p. 5), the finality of the present Office action, dated October 12, 2006, is improper. Moreover, according to M.P.E.P. § 2144.03, “[t]he applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice and be allowed to challenge the

assertion in the next reply after the Office action in which the common knowledge statement was made." Applicants respectfully request the Examiner withdraw the finality of the present rejection and enter the arguments presented herein allowing Applicants to challenge the Examiner's assertions as part of this reply.

Further, in contrast to the requirements of M.P.E.P. § 2121, the Examiner failed to provide rationale or evidence tending to show inherency. As noted by M.P.E.P. § 2121, "the fact that a certain result or characteristic may occur or be present in the prior art is not sufficient to establish the inherency of that result or characteristic." Indeed, "[t]o establish inherency, the extrinsic evidence must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill." *Id.* Moreover, "[i]n relying upon the theory of inherency, the examiner must provide a basis in fact and/or technical reasoning to reasonably support the determination that the allegedly inherent characteristic necessarily flows from the teachings of the applied prior art." *Id.*

Here, the Examiner provides no technical rationale or evidence that shows inherency. Instead, the Examiner merely asserts that it is inherent that the "merchant went through a risk assessment review." Such conjecture is legally improper and renders the rejection of Applicants' claims legally deficient.

CONCLUSION

Applicants respectfully request that this response filed under 37 C.F.R. § 1.116 be considered by the Examiner, placing claims 1-66 in condition for allowance. Furthermore, Applicants respectfully point out that the final action by the Examiner presented some new arguments as to the application of the art against Applicant's

invention. In view of the foregoing remarks, Applicants submit that this claimed invention is neither anticipated nor rendered obvious in view of the prior art references cited against this application. Applicants therefore request the Examiner's reconsideration of the application, and the timely allowance of the pending claims.

Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, L.L.P.

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By:  (Reg. No. 52,072)
for Joseph E. Palys
Reg. No. 46,508